



Date: April 22, 2015
To: ABAG PLAN Actuary Committee
From: James Hill, PLAN Risk Management Officer
Subject: **Actuarial Review of Self-Insured Liability Program**

Recommendation

Staff recommends the Actuary Committee accept the Actuarial Review of the Self Insured Liability Program and Premium Calculation Comparison Report both dated March 23, 2014. Committee to accept the Actuarial Review of Self Insured Liability Program - including Belvedere report dated April 6th, 2015, as presented. Actuary committee to recommend approval and adoption of FY 2015-16 program funding levels to the Executive Committee and Board of Directors at the June Annual BOD meeting.

Overview

Michael Harrington, FCAS, Director - Bickmore Risk Services will present the Actuarial report to the committee. The report contains estimates of PLAN liability for outstanding claims as of June 30, 2015, as well as, projected ultimate loss costs for the 2015-16 program year. The analysis utilizes PLAN claim data as of December 31, 2014 and assumes a discount rate of 3%.

The Actuarial Report is comprehensive and lengthy in presentation. For your reference, PLAN member proposed funding including comparison to prior year is contained in page 24 of the report. A detailed Premium Calculation Comparison report dated April 6, 2015 has been included with the packet. This report provides three exhibits for each PLAN member which provide information used in developing member premium calculations. The exhibits contain a 5 year loss analysis with historical payroll data and a large loss exhibit showing all claims greater than \$25K used in each calculation.

Highlights

- Overall PLAN losses (claims) have developed favorably since the prior actuarial study. The 2008-09, 2010-11 and 2012-13 accident year results have improved significantly from our projections.
- Expected incurred loss development was \$4.4 million since the prior study while actual incurred loss development was (-\$8.1 million) or \$12.5 million less than expected. PLAN continues to rebound from the loss experience of the past two years.

Actuarial Review of Self-Insured Liability Program (con't)

- PLAN outstanding liabilities have decreased from \$31.5 million as of 6/30/13 to \$24.3 million as of 6/30/14 at the expected level (50% CL), a decrease of \$7.2 million. At the 90% confidence level, the outstanding liabilities decreased from \$45.7 million to \$35.4 million at the 90% confidence level, a reduction of \$10.3 million over the period.
- PLAN assets have improved to \$45 million (as of 6/30/2014) from \$41.9 million the prior year, an increase of \$3.1 million.
- Risk Margin Fund balance has increased from \$10.4 million to \$11.1 million as of 6/30/14. The Risk Margin Fund balance has improved by \$700K.
- PLAN SIR Fund is now positive with a balance of \$9.6 million indicating program surplus above the 90% confidence level. This bolsters our grant program and effectively eliminates any need for funding contributions by member agencies. We also have additional SIR funding for ITC exposure which remains minimal at this time.
- PLAN Liability program is now funded over the 90% confidence level, up from 84% last year. This is a significant improvement and further bolsters the financial position of the program.
- PLAN premium contributions for GL/Excess/Admin are down overall by 2.6% from prior fiscal year at the 60% confidence level. The premium reduction is being driven by a 4.9% increase in estimated pool member payroll coupled with a 7.1% decrease in the average pool rate.
- The report assumes no increase in excess liability premium and no increase in Administrative Expenses.
- Member premium changes from prior FY vary significantly which is typical of our program. 16 (55%) PLAN members will experience a reduction in their liability premium this fiscal year. 13 (45%) of PLAN members will see an increase in liability premium contributions. One member's premium decrease was capped at 30%.

Summary

The Actuarial report and analysis indicates the PLAN Liability program has rebounded from adverse loss development in prior years. PLAN program assets have increased while our projected liabilities have been reduced significantly. The outlook continues to be favorable and program funding levels are adequate and in line with our funding policy.

The Committee will recommend funding at the same confidence level (60%) as the prior year. An increase in PLAN grant program is being recommended with no additional funding required from members.